

Revenue and Transportation Interim Committee – TIF Discussion

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Testimony by Steve Johnson, Deputy Superintendent Operations, Bozeman School District 7

Background

- The City of Bozeman has established 5 TIF districts. Bozeman School District receives a remittance from 1 of the 5, which is the Bozeman Downtown TIF.
- The Downtown Bozeman TIF was the first TIF the City created, it was created in 1995.
 - An 18-member community committee comprised of City of Bozeman, Gallatin County and Bozeman School District representatives and Downtown Bozeman business owners compromised to create a plan that worked for our community.
 - The approved plan resulted in an inter-local agreement limiting the length of the TIF to 11 years and the size of the TIF to \$750,000. The agreement also requires excess funds, generated after tax increment bond payments are made, be remitted to the respective taxing bodies.
 - The downtown Bozeman TIF should be used as a model of how a TIF should be set up and run. It has been extremely effective in driving economic development to the Downtown area while at the same time not requiring the taxing jurisdictions to significantly increase their mill levies.

Concerns about the current TIF laws

- While a successful process was outlined above this is the exception. Unfortunately, the City has not used the model in approving the formation of the other 4 TIFDs that currently exist in the City of Bozeman. Therefore, TIFDs are being created with no financial limits and 25-year bonds being sold after 15 years extending the life of the TIF to 40 years!
- At a recent TIF Board meeting I attended they were considering a plan to expand the geographic boundary of the TIF. One of the Board members stated, “This area is going to develop anyway so we should expand the TIF and capture that money”. This obviously goes far beyond the intent of TIFs but is an example of the mindset of some of the folks involved in collecting and spending the tax revenue collected.
- Schools have no authority to have a say in the creation of a TIF. It seems that since school levies are usually the highest of all taxing jurisdictions in a community they should at least be part of the decision making process regarding the parameters of a TIFD.

Proposal

- Require School Districts to be included in the decision making process of the creation of a TIF.
- Limit the life of TIFs to 15 years with the extension beyond 15 years only to be used to service any debt incurred within the 15-year period. All funds collected beyond the debt service obligation should then be reverted to the taxing jurisdictions based on the mills levied by each that year.